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It's Elementary

A Monthly Column by EFAP Director John Yinger
September 2012

Reforming State Education Aid in New York State¹

New York State's most serious problem with K-12 education has long been the inequality in its funding system. Through no fault of their own, the large city districts and other poor school districts have to spend much more than other districts on remediation, counseling, health, and safety, among other things, to achieve the same student performance and they have to spend more to attract teachers of any given quality. Moreover, education finance in New York State depends heavily on the property tax, and high-wealth districts can raise far more money than other districts at any given level of taxpayer sacrifice. The importance of these fiscal disparities is revealed by the accompanying disparities in student performance.

Until recently, the New York's education aid program made only a modest contribution to offsetting these fiscal disparities. Indeed, many so-called reforms, such as the School Tax Relief Program, actually made the disparities worse.² Reforms to the state education aid program passed in 2007, however, represented a major step in the right direction. These reforms increased state aid to education, shifted money from categorical aid programs into the state's main operating aid program, and greatly improved the provisions that account for the additional costs associated with educating disadvantaged students.³ Although these reforms were a major improvement, they were far from perfect. In my view, changes to the portion of the aid formula that calculates the expected local contribution favored wealthy districts and offset to some degree the equity improvements on the cost side of the formula.⁴ But that is a debate for another day.

¹ This column contains the prepared testimony I presented to the New NY Education Reform Commission at a hearing held at Lemoyne College on August 14, 2012.

² For an analysis of the STAR program's contribution to funding inequality and suggested reforms, see John Yinger, "Four Flaws in New York State's Property Taxes and How to Fix Them: STAR," Education Finance and Accountability Program, Syracuse University, May 2012. Available at: http://cpr.maxwell.syr.edu/efap/about_efap/ie/May12.pdf.

³ Cost functions, a key component of need-based state education aid, are reviewed in William Duncombe and John Yinger, 2011, "Are Education Cost Functions Ready for Prime Time: An Examination of Their Validity and Reliability," *Peabody Journal of Education* 86 (1), pp. 28-57 (available at: <http://www.tandfonline.com/doi/abs/10.1080/0161956X.2011.539954>). The principles of need-based aid and the formulas for need-based aid in states around the country are discussed in John Yinger, "State Aid and the Pursuit of Educational Equity: An Overview," 2004, in *Helping Children Left Behind: State Aid and the Pursuit of Educational Equity*, edited by J. Yinger (MIT Press), pp 3-57 (available at: <http://mitpress.mit.edu/catalog/item/default.asp?tttype=2&tid=10112&mode=toc>).

⁴ A comparison of the 2007 reforms with need-based reforms can be found in Bruce D. Baker, 2011, "School Funding Fairness in New York State: An Evaluation of the Conceptual and Empirical Basis and Implementation of the New York State Foundation Aid Program," Report prepared for the New York State Association of Small City School Districts, October 1 (available at: <http://www.monticelloschools.net/District/News/pdfs/FoundationAidStudyRutgers2011.pdf>) and in John Yinger, "Reform in New York State's Education Aid Formula?", Education Finance and Accountability Program, Syracuse University, April 2008 (available at: http://cpr.maxwell.syr.edu/efap/about_efap/ie/April08.pdf).

Unfortunately, since 2007 New York State has been steadily undoing the 2007 reforms. The scheduled phase-in was halted and the state aid budget was cut by a significant amount. To some degree, of course, the cuts in state aid reflected the fiscal realities imposed by a severe recession, but the nature of the cuts, and of other education policies, has served to significantly widen the fiscal disparities that the 2007 reforms sought to close. More specifically,

- The cuts in state aid dollars per pupil have been far greater for needy districts than for wealthy districts. This outcome is documented in Figure 1 below. The percentage cuts have been lower for poor than for wealthy districts, on average. However, a given percentage cut has a much larger impact on a poor district than on a rich district because the poor district relies much more heavily on state aid. A much fairer approach would have been to make the same absolute cuts per pupil in every district.
- The new property tax cap makes it far more difficult for poor districts to offset state aid cuts or to meet other challenges using their own resources. Indeed, the design of this cap places low-wealth districts at a severe disadvantage, as illustrated in the attached Figure 2.

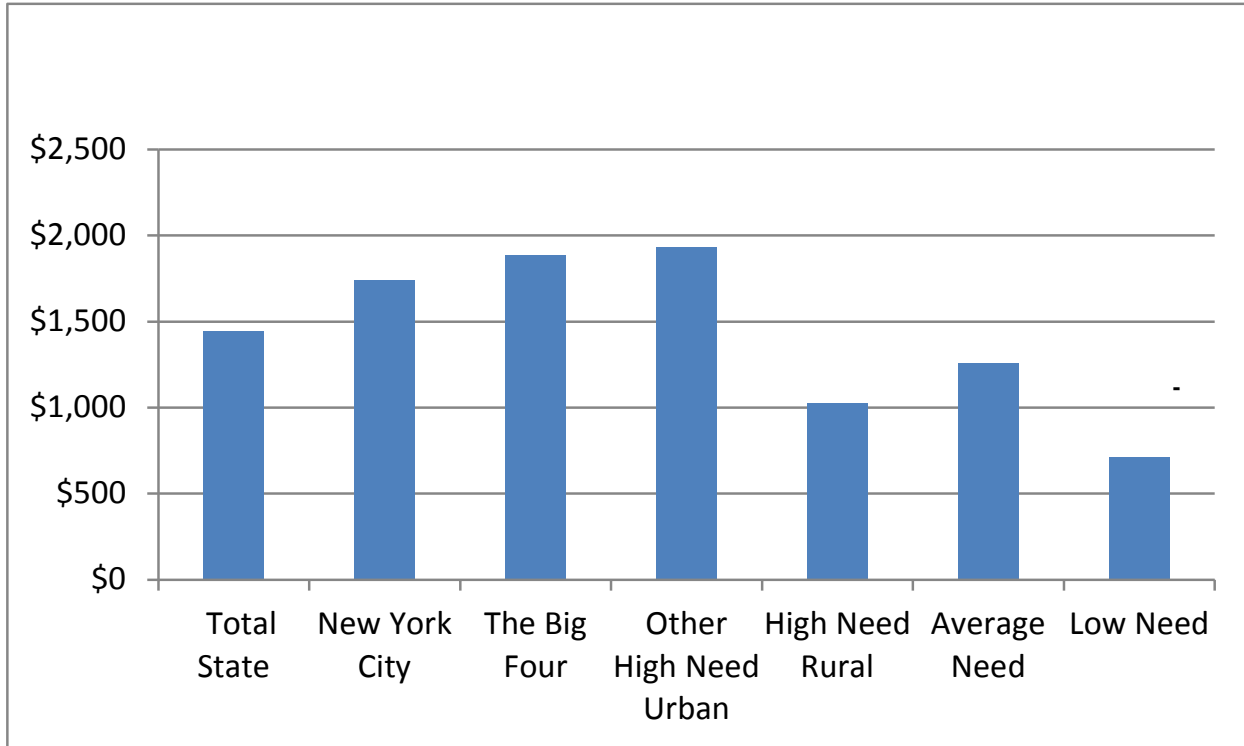
My recommendations for education reform in New York State are as follows:

1. Future increases in state aid to education should be designed to return as quickly as possible to the path set by the 2007 reforms. The small increase in state aid passed this year seems to do this to some degree, but it is a very small increase. Any future increases in state aid should be heavily focused on the neediest districts.
2. No additional state resources should be devoted to competitive grants, which represent another contest in which hard-pressed poor districts are at a disadvantage.
3. The property tax cap should be altered so that it is based on a percentage of a district's need, not a percentage of a district's tax base.⁵
4. The state should place far more emphasis on data collection and evaluation. The quality of the data in New York State for evaluating educational initiatives is far below the quality in many other states. The capacity of the New York State Education Department to conduct policy experiments and to evaluate existing reforms is far below the capacity of education departments in many other states. The burden of creating data sets suitable for research purposes and of conducting experiments and evaluations should not be left on the poor districts that need the most help. This is a job for the state government.⁶

⁵ A reform of this of this type is presented in detail in John Yinger, "Four Flaws in New York State's Property Taxes and How to Fix Them: Levy Limits," Education Finance and Accountability Program, Syracuse University, June 2012. Available at: http://cpr.maxwell.syr.edu/efap/about_efap/ie/June12.pdf.

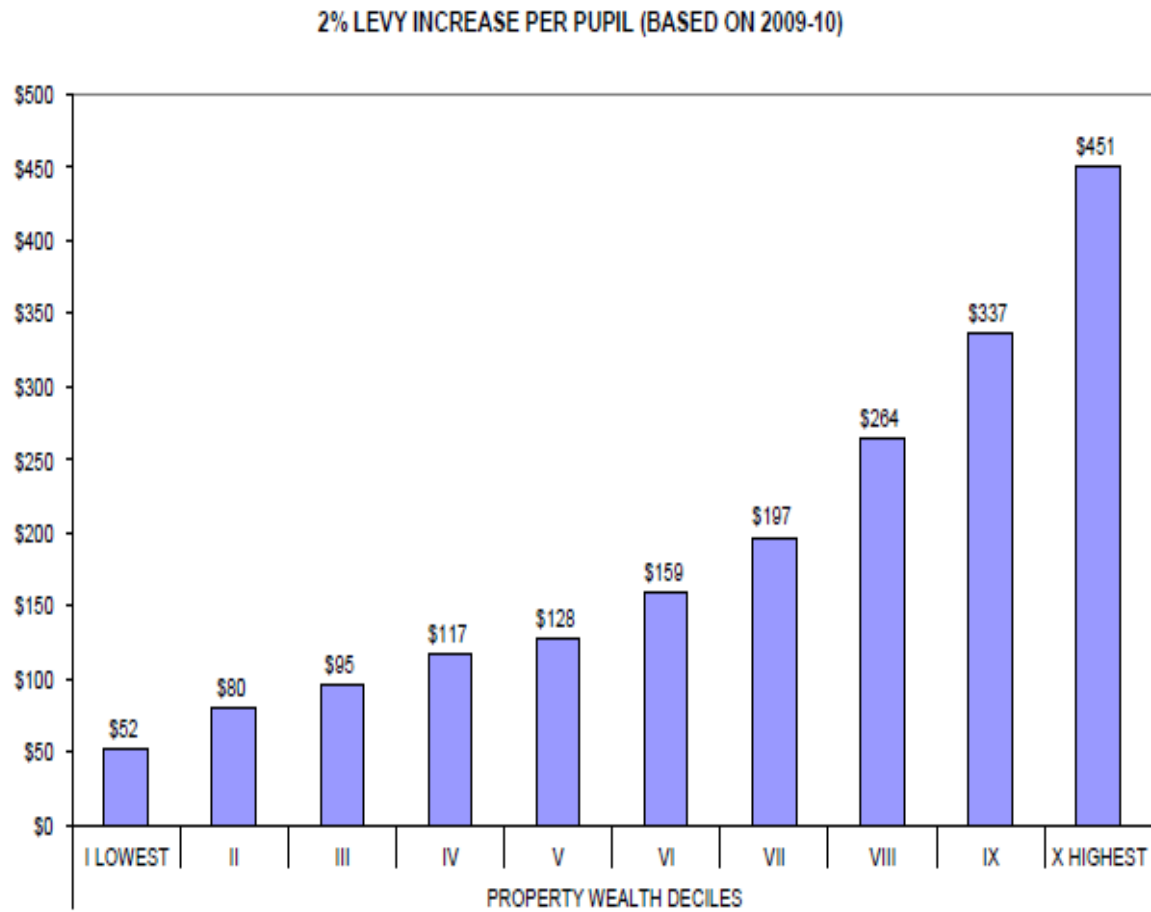
⁶ My colleague William Duncombe and I have been making this proposal for many years. See, for example, our amicus curiae brief in the CFE case, which is available at: http://cpr.maxwell.syr.edu/efap/about_efap/cfe.html.

Figure 1. Reduction in Actual Per Pupil Foundation Aid in 2010-11 Compared to Fully Phased-In Foundation Program



Note: Fully phased-in aid is based on estimated total aid from a fully enacted Foundation Aid divided by actual enrollment in 2009-10. Actual aid for 2010-11 is Foundation Aid and the Gap Elimination Adjustment. Source: Calculations by Professor William Duncombe and NYSED, state aid files.

Figure 2: Per Pupil Tax Levy by Property Wealth, Under the Tax Cap



New York State Board of Regents Proposal on State Aid to School Districts for School Year 2012-13. <http://www.p12.nysed.gov/stateaidworkgroup/>.